



February 15, 2021

**Federal Reserve Board
Docket Number R-1723 and RIN Number 7100-AF94**

RE: Comment Letter on Advance Notice of Proposed Rulemaking (ANPR) on CRA

To Whom It May Concern:

The Urban Economic Development Association of Wisconsin, Inc. (UEDA) is a 501(c)(3) membership organization dedicated to the professional development of individuals and groups working in economic and community development in Wisconsin. Incorporated in 1997, we focus on and advocate for sustainable homeownership and housing, financial empowerment and economic mobility, small business growth, community investment, and regional workforce and transportation.

UEDA is also an active member of the National Community Reinvestment Coalition (NCRC) and National Low Income Housing Coalition (NLIHC). On behalf of our members, we work in collaboration across sectors, and at local, regional and national levels to advocate for continued investment in individual and business lending services in the communities we serve.

We are writing to state our support for approaches in the CRA that strengthen the exam process and promote recovery from the COVID-19 pandemic. In its Advance Notice of Proposed Rulemaking (ANPR) on CRA, the Fed has described approaches in that will make CRA exams more objective. Yet, it is not entirely clear if these approaches will make grading tougher. If nearly every bank continues to pass their CRA exams, banks will not engage in serious efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic.

Since the start of the pandemic, about 41% of African American businesses have been closed compared to just 17% of White-owned small businesses. Discrimination in lending contributes to these differences in survival rates. A [NCRC investigation](#) found that African Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic were likely to receive less information than Whites.

UEDA's network includes a number of CDFIs and chambers of commerce that work with small businesses and micro-enterprises in southeast Wisconsin. Over the past year, we have seen the devastating impacts that COVID-19 has had on these businesses. Access to fairly-priced capital for small, minority-owned businesses continues to be a huge challenge, and our network of technical assistance providers had to work extra hard to ensure these businesses received this critical capital.

Milwaukee's continued standing as one of the most segregated cities and metro areas in the country is a result of a legacy of past redlining practices and institutionalized racism that continues to manifest in deep racial and economic inequalities in the region, including a persistent and startling racial wealth gap. Working to reverse the impact of these historical disparities requires consistency and intention, with contributions from the private, public and nonprofit sectors.

CRA must be strengthened in order to combat discrimination. The Fed emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders. The Fed does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades. Moreover, the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance. Five ratings must be retained on the state level and on subtests, in order to continue to motivate banks to be more responsive to community needs.

The Fed asks whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color, and we support this given the current challenges in our community.

Along with NCRC, we also ask the Fed to consider explicitly including race on CRA exams. While the agencies have hesitated to do so, we believe that CRA emphasizes banks meeting credit needs in all communities, but particularly underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Indian reservations and other underserved areas.

In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need. Data is a critical tool for organizations such as UEDA and two coalitions that we lead with active participation from financial institutions, community-based organizations, and public entities: **Take Root Milwaukee** (sustainable homeownership & neighborhoods), and **Bank On Greater Milwaukee** (banking access & financial education).

Over the last nine years UEDA has worked with Take Root Milwaukee (TRM) members on an annual analysis of Home Mortgage Disclosure Act (HMDA) data. The bank members of TRM continue to provide a growing number, and a greater percentage of home loans to LMI borrowers and people of color than their peers in the city. Feeding that growth has been the focus of our coalition, whose members have together provided education and foreclosure prevention counseling to an average of 1,778 homeowners each year, assisted an annual average of 3,863 potential borrowers seeking home purchase education.

Our Bank On Greater Milwaukee initiative launched in 2019, joining over 80 coalitions across the country to promote safe, affordable accounts and trustworthy financial education to consumers. We work with 25+ members that include eight financial institutions who offer accounts meeting the Bank On National Account Standards, and are currently assisting banks to partner with service providers. Through this work, we have a deep understanding of the importance of being able to access mainstream financial services. Thus, we do not support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC).

CRA has benefited Milwaukee in many ways:

- Mortgage loan programs and downpayment assistance for first time homebuyers;
- Investments in home repair grant and loans for homeowners;
- Investments in affordable, mixed use developments, like the Griot Apartments (housing above America's Black Holocaust Museum); United Community Center's Olga Village (senior housing); and VIA CDC's Turnkey Renovation;
- Financial support for nonprofit homebuyer counseling agencies in our community;
- Bank staff who volunteer with community organizations to provide financial and technical expertise;
- Financial support and technical assistance to minority business development organizations, workforce development programs, and nonprofit organizations that help with employment readiness; and
- Participation in our programs, which promote public-private partnerships to address disparities in our community.

CRA is one institution that encourages investment in communities – particularly LMI communities and communities of color. UEDA works with a diverse cross-section of members and other partners that include nonprofits, financial institutions, CDFIs, government agencies, small businesses, neighborhood associations, funders and individuals concerned with these issues. This was true before the COVID-19 public health pandemic and will be even more true afterwards. Thus, we appreciate the direction the Fed has embarked upon, but caution against proposals that replicate existing CRA ratings inflation as this will not help our communities advance the work we are currently engaged in to address racial and economic disparities.

Should you have any further questions about our comments, please contact me at (414) 562-9904 or Kristi@uedawi.org. Thank you for your consideration.

Sincerely,



Kristi Luzar
Executive Director

ABOUT UEDA

The Urban Economic Development Association of Wisconsin (UEDA) is a 501(c)(3) membership association dedicated to facilitating effective, cross-sector collaboration, meaningful connections, and strengthening individual and organizational capacity in Wisconsin's community and economic development sector. Our vision is that the members and communities we serve are inspired and thriving, with equitable access to investment and opportunity. Learn more at www.uedawi.org.